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WEEKLY SUMMARY

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CENTRAL INTELLIGENCE AGENCY

DIRECTORATE OF INTELLIGENCE

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C O N T E N T S

(Information as of noon EST, 8 December 1966)

Far East

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<p>The Viet Cong stepped up terrorist attacks in the Saigon area this week while military activity in other parts of the country remained light. Increased political friction could result from the assassination this week of a prominent Constituent Assembly member known as a critic of the government, and from the Directorate's decision to reject an assembly proposal to limit the government's power to modify the constitution.</p>	
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President Marcos, while maintaining publicly his policy of nonrecognition, has ordered a review of the issue and might shift his course in order to further his pretensions as an "honest broker" in the Vietnam conflict.

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BRITISH TALKS WITH RHODESIA COLLAPSE

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The selective, mandatory UN economic sanctions London is requesting to increase pressure on Salisbury are unlikely to produce the desired effect.

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THE SOVIET ECONOMY AT YEAR END

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The country's economic performance this year has been mixed. Excellent results in agriculture have been offset by continued mediocre performance in industry.

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THE COMMUNIST CHALLENGE IN INDIA
The principal internal subversive threat against the democratic government in India comes from domestic Communist forces. For over 40 years the Communists, concentrated mainly in the states of Andhra Pradesh, Kerala, and West Bengal, have based their political programs on exploiting the discontent among the poorer classes, the urban middle class, and the unemployed intellectuals. In at least one state--Kerala--the leftist Communist Party of India seems assured of an impressive victory in February's elections. [REDACTED]

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New difficulties have arisen between Greece and Cyprus following unloading of Czech arms for Cyprus police force.

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Far East

VIETNAM

Communist sabotage and terrorism in the Saigon area increased this week, while Communist forces elsewhere in the country evaded allied search-and-destroy operations.

Viet Cong terrorists made two major attacks in the Saigon area on 4 December. Infiltrators, identified as part of the 165A Viet Cong regiment which has been noted operating in the Saigon area, attacked Tan Son Nhut Airfield early on 4 December and again later in the same day. Three Americans were killed, 29 others wounded, and 18 aircraft damaged. Four Communists were captured and 31 were killed. Three days later two large explosive charges were discovered near an ammunition dump on the airfield.

On 4 December in an attack on a US Army Psychological Group headquarters facility in downtown Saigon, Viet Cong terrorists placed a bomb under the roof of the building. The explosion wounded 12 Americans.

The Viet Cong also attempted to interdict allied lines of communication in III Corps this week. On 2 December, and again on 5 December, they ambushed units of the US 11th Armored Cavalry Regiment in southern Long Khanh and northern Phuoc Tuy provinces. In the first attack by a 400-man Communist force against an American convoy on National Route 1, enemy casualties were 94 killed as compared with American losses of one

killed and 22 wounded. The second attack took place on Route 2, and a subsequent American sweep of the area discovered a Viet Cong base camp. More than eight tons of rice and many bunkers and tunnels were destroyed. Four Viet Cong were killed, 41 captured, and 278 suspects apprehended. American casualties were light.

MACV has accepted the 10th North Vietnamese Army Division in Kontum and Pleiku provinces near the Cambodian border in the "probable" category. This 5,700-man division has three subordinate units: the 88th, 95B, and 101C regiments. The existence of this division was first reported by prisoners of war in August of this year. There are now nine division-level units in the Communists' main forces in South Vietnam.

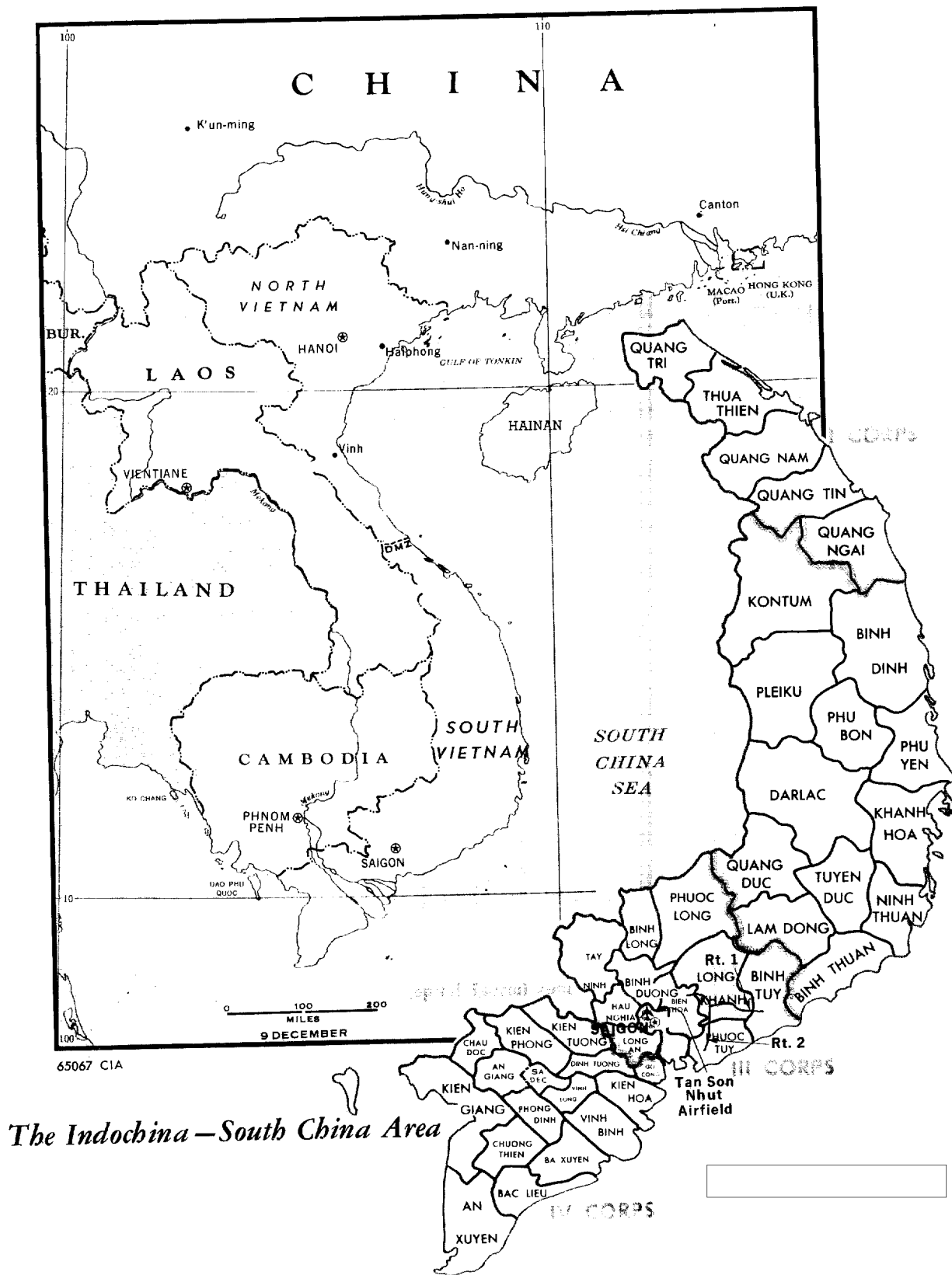
Constituent Assembly - GVN
Relations

Current South Vietnamese political developments are increasingly centered on relations between the government and the Constituent Assembly, and, more broadly, on military-civilian relationships.

On 1 December, the ruling Directorate decided to reject all Constituent Assembly proposals for modifying the assembly's founding law. The most important of the modifications would abolish the government's power

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The Indochina - South China Area

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to make changes in the draft constitution which could be reversed only by a two-thirds assembly vote. The assembly has not yet been officially informed of the decision, although many delegates are aware of it. Assemblymen had been optimistic that the government would at least compromise on some of the less controversial proposals, and it is still possible that the Directorate's formal reply to the assembly will be softened by minor concessions. If the Directorate remains inflexible on all issues, however, it could provoke a new round of criticism directed at the military oligarchy.

The assembly currently is debating the principles of the future governmental system. Its constitution drafting committee proposed that the government consist of four separate branches--an executive, a bicameral legislature, a judiciary, and an inspectorate. A straight presidential system for executive organization was recommended by the committee chairman, but during the ensuing debate the assembly was divided between those favoring such a system and those preferring a modified presidential - prime ministerial arrangement.

The assembly's debate was interrupted on 7 December by the assassination of Tran Van Van, a well-known southern factional leader in the assembly who has been a strong critic of the northern-dominated Ky regime. There was no immediate political reaction within the assembly, but

southern militants either within or outside the assembly may accuse the government of complicity in Van's assassination. Although one of Van's assailants was captured and has admitted he was a member of a Viet Cong assassination squad, critics of the regime may try to discredit police director Loan by implying that he falsified evidence of Communist responsibility.

Air Raids in the Hanoi Area

Hanoi radio portrayed the 2 December US air strikes in the Hanoi area as directed primarily against the civilian population, calling the raids a serious new escalation of the war, but without threatening any specific reprisals. Liberation radio, however, claimed that the 4 December Viet Cong attack on Tan Son Nhut Airfield was in direct retaliation for the 2 December bombings.

The main theme of Communist propaganda was that the North Vietnamese people were adequately prepared for air strikes, that Hanoi air defenses inflicted maximum losses on the raiders, that bomb damage was minimal, and that disrupted services were restored in a very short time. Hanoi featured a tour of selected bombed areas for foreign newsmen within three hours of the attack and produced an American pilot shot down in the raids for a press conference. The regime claimed that 26 civilians had been killed.

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COMMUNIST CHINA'S ATTITUDE TOWARD UN

Peking's scornful reaction to the annual United Nations debate on Chinese representation re-emphasized its view that there is no early prospect of achieving admission on Communist terms--the foremost of which is the removal of Taipei. The Chinese Communists remain unwilling to make concessions that would attract greater support or to push actively for membership, since they believe that pressure within the UN will eventually bring admission on their own terms.

In the past year Peking has made relatively little comment on UN developments. It has derided U Thant's Vietnam peace efforts on several occasions and has repeatedly played the US and the Soviet Union for alleged manipulation of the annual debate on China. This year it dismissed Canada's efforts to promote a "two-Chinas" solution as a US "plot," and accused Ottawa of "fronting" for Washington. Pe-

king also excoriated Moscow for "double-faced tactics" in professing support for Peking while distributing to delegates, just before they cast their votes, copies of a recent polemical editorial in Pravda.

At the UN, Italy's proposal of a study committee to consider the problem of Chinese membership, with implications of a two Chinas solution, introduced an important new element in this year's voting. Although it was decisively defeated by the combined opposition of both the supporters of Peking and Taipei, the Italian plan offered an option to a number of delegations that might otherwise have voted for the customary Albanian resolution to cast out Taipei and seat Peking. In addition, the Communist countries lobbied less vigorously than usual for the Albanian proposal and it was defeated by an unexpectedly large majority.

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SPLIT IN CHINESE RED GUARD MOVEMENT

Since the Red Guards first appeared in August, the Chinese Communist regime has consistently described them as a unified force that serves as the cutting edge of the "cultural revolution." Information that recently became available, however, reveals that from the outset there have been

opposing groups of "militants" and "moderates" within the movement.

By October this split had become institutionalized with the emergence of two rival "headquarters" in Peking and in several provinces. They appear to be

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responsive to different groups of individuals within the leadership--the militants presumably to Defense Minister Lin Piao.

The militant groups claim in their posters and newspapers that they are "rebels"--the only "true revolutionaries"--and that their rivals are "revisionists" who shield party committees and suppress revolutionary activities. Militant groups consistently praise Red Guards who attack or demonstrate against factories, government institutions, and party committees. If the attacks lead to violence, resistance by the attacked organization or person is always blamed. Many counterposters have been seen in Peking and elsewhere defending targets which the militant Red Guards attacked. These posters use venomous terms like "evil," "counter-revolutionary," "fascist," and "torturers," to describe the attackers.

Police and public security forces seldom interfere with clashes between Red Guard groups, suggesting that each force has protectors at the highest level.

In Peking city, most Red Guard violence reported in recent weeks is believed to have been directed by the "Revolutionary Rebel" Red Guard Headquarters, also known simply as the 3rd Headquarters. This headquarters on 22 November publicized its intention to ransack the headquarters of its main rival--the 2nd

Headquarters. (According to posters, the 1st had been dissolved by late October.) The earliest reference to the 3rd Headquarters appears in a wall poster, just available. The poster describes the headquarters direction on 21 October of a force of more than 2,000 Red Guards, gathered from 20 institutions, who invaded and ransacked an agricultural institute. The leader of that attack was identified as Kuai Ta-fu, the 3rd Headquarters vice commander. Kuai is a controversial militant student leader, who had been silenced by a central committee work team in June and July and "rehabilitated" in August.

Outside of Peking, "rebel" Red Guard headquarters have been competing with rivals in several provinces. In at least one province--Anhui--this conflict may have created a state of near anarchy. According to a poster report, Red Guards backed by the "rebel" headquarters in Anhui seized the party first secretary on 11 November, and "tortured" him for several days. Attempts by workers and (moderate) Red Guards to rescue him led to violent clashes on 16 and 17 November, in which three people were killed and 170 were injured.

Typically, a counterposter has been seen in Peking putting the blame for the incident on the Anhui secretary. The poster also 25X1 accused Tao Chu, 4th ranking leader of the regime, of exonerating the secretary.

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SECRET**INDONESIAN TRIAL IMPLICATES SUKARNO IN LAST YEAR'S COUP**

Testimony of former air force chief Omar Dani, on trial for complicity in the murders of six top army generals in October 1965, discloses that President Sukarno approved the antiarmy move and probably knew of it in advance.

Dani himself is the only high-ranking leader who openly supported the 1 October action in which the generals were murdered and a revolutionary council was proclaimed. He and Sukarno spent most of 1 October at Dani's headquarters at Halim Air Force Base. The chief judge and the prosecuting officers are pressing Dani hard to obtain information on Sukarno's conversation and activities that day.

Dani has related one interesting prelude to the coup. He said that in mid-September Sukarno sent him to Peking where, among other matters, he discussed with Chou En-lai an alleged Chinese offer to provide 100,000 small arms to Indonesia. On his return from China, Dani reported only to Foreign Minister Subandrio and did not inform the army or the armed forces staff.

Later in September, Dani said, he told Sukarno that army General Supardjo, a Communist, was planning to take action against the generals and he received the impression that the President already knew about it. When Sukarno was briefed at Halim Air Force Base on the morning of 1 October on the events of the previous night, he replied--ac-

ording to Dani--"Good, this is clearly a revolutionary incident. In a great revolution bloody events occur." Sukarno then stated that he wanted no further bloodshed and approved Dani's draft order-of-the-day, which supported the coup.

When the revolutionary council was announced on the radio about mid-day and Sukarno's name was not included, Sukarno laughed and said, "It's just a game." The group at the air force base was not disturbed at the announcement because, according to Dani, they knew the "President was still in charge."

Supardjo conferred with Sukarno several times during the day and, on learning that anti-coup forces had retaken the radio station, advised the President to go to East Java. On the advice of a civilian cabinet member, however, Sukarno went instead to his palace at Bogor, West Java. Dani admitted writing a letter to his successor as air force chief which stated, "Keep the President's name out of this. I take full responsibility for what happens to the air force."

In order to make full political use of the trial, testimony is being broadcast verbatim to a nationwide audience. The army's strong approach to the Dani trial should considerably relieve the concern of many of the army's civilian supporters that General Suharto, who heads both the army and the government, is moving too slowly against Sukarno.

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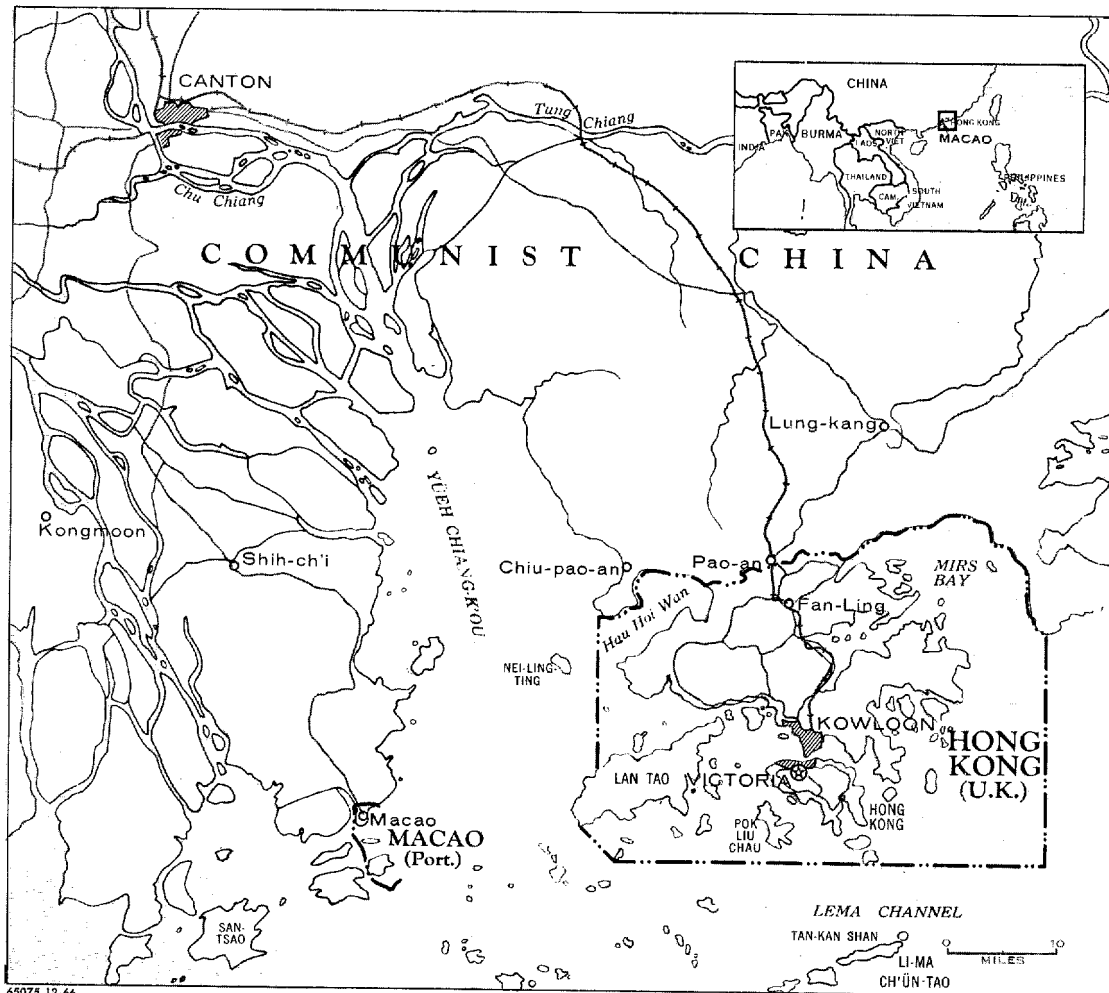
SECRET**CHINESE COMMUNIST PRESSURE ON MACAO**

Rioting in Macao has subsided, but the Chinese Communists are keeping up pressure in an apparent effort to force full acceptance of their demands.

A Peking broadcast on 6 December accused the Macao Police Commandant of involvement in "savage" attacks on unarmed students and teachers who were attempting to see the Macao governor. The broadcast asserted that seven Chinese demonstrators had been killed by

the Portuguese on 3-4 December and warned that the Macao authorities would be held responsible for the "serious consequences" of their actions.

The demonstrations last weekend were launched by pro-Chinese elements in Macao in an effort to force the newly arrived governor to yield to their demands for action against police who suppressed a riot on 15 November. Macao officials apparently again used strong-arm

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methods to disperse these demonstrators. However, the governor has gone most of the way in yielding to Chinese demands for disciplinary action, compensation, and apology. Even so, Peking commentary indicates that the governor's capitulation was not sufficiently abject, and Chinese in Macao on 6 December demanded additional concessions, including the removal of the chief of police. An increase in the number of Chinese gunboats in the Macao area is also intended by Peking to convince the Macao authorities that the Chinese are determined to obtain complete satisfaction of their demands.

Despite the hard Chinese stance, Peking is unlikely to push the Macao authorities too far at this time, because of the effect such a move would have in neighboring Hong Kong. Business confidence could be shaken, producing a sharp decline in the British colony's economic activity and affecting Peking's foreign exchange earnings. Nevertheless, Peking may see an advantage in maintaining pressure on the Macao authorities not only to show the Portuguese that Macao exists only on Chinese sufferance but also to remind the British indirectly that similar incidents could occur in Hong Kong.

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PHILIPPINES REASSESSING RELATIONS WITH USSR

The Philippine Government is reassessing its nonrecognition policy toward the Soviet Union.

The major proponents for recognition have for some time been the small but vocal leftish minority, whose views are widely and sympathetically disseminated in the Manila press. These views appeal to student and intellectual groups, who are sensitive to insinuations that the Philippines are still under the American thumb and who see recognition of the USSR as a demonstration of Philippine independence.

Since the relaxation last March of the ban on travel to Communist countries, there have been several visits to the USSR and Communist China by newsmen and government officials. An Izvestia correspondent who was allowed to visit the Philippines in August addressed student groups and was lionized by the press. These exchanges, plus an increasing interest in trade, have helped to stimulate interest in establishing diplomatic relations.

Although President Marcos continues publicly to oppose recogni-

tion, he has ordered a review of the issue and might shift his course, particularly to further his pretensions as an "honest broker" in the Vietnam conflict.

An expected proposal of recognition by former presidential candidate Senator Manglapus should attract substantial support from the Philippine Congress, especially from Senate President Tolentino. Opponents who have been concerned about the effect of recognition on Manila's close ties with the US feel they have been undercut by trends in US-Soviet relations during the past three years.

There is still considerable opposition to recognition within the government, however. Foreign Secretary Ramos, who is taking an adamant stand against allowing student groups to visit Communist China, will probably argue against recognition of the USSR. Many other officials fear that the establishment of a Soviet mission would allow large-scale espionage and subversive activities which the Filipinos are ill-equipped to control.

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Europe

BRITISH TALKS WITH RHODESIA COLLAPSE

Prime Ministers Wilson and Smith, after agreeing on a constitutional settlement for Rhodesia consistent with the compromise proposals Wilson has been making since last June, differed over who should govern the country during the interim period of British sovereignty before legal independence.

In line with its commitment to the Commonwealth last September, London now has asked the United Nations Security Council for selective, mandatory economic sanctions against Rhodesia. These, however, are designed to avoid confrontation with Rhodesia's main supplier, South Africa, and will neither satisfy African governments nor have significant impact on Rhodesia.

The key issue is the oil which Rhodesia receives through

South Africa, and to a lesser extent through Portuguese Mozambique. Some compromise may be worked out to include a reference to oil in the initial sanctions program, but no action Britain is willing to back can do more than temporarily satisfy the Africans.

Prime Minister Smith has offered to let an "impartial, unbiased" commission look into the problem, and has asked permission to address the Security Council. African Commonwealth members believe they have Wilson's promise not to grant independence before majority rule, once the issue goes to the United Nations. They will be alert to any indications that Wilson might respond to Smith's proposals and attempt once more to reach a compromise settlement.

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THE SOVIET ECONOMY AT YEAR END

Next week's session of the Supreme Soviet will meet against the background of a mixed economic performance during 1966. Excellent results in agriculture have been offset by the continued failure of industrial output to improve on its mediocre performance of recent years. That basic problems remain is attested to most clearly by the continuing failure of the regime to approve the 1966-70 plan.

Soviet agriculture has been highlighted this year by a record grain crop, impressive harvests of most row crops, and generally good results in the livestock sector. Weather contributed in large part to this satisfactory state of affairs but a number of provisions of the 1965-70 agricultural program also clearly helped significantly to raise production. Foremost among these were the numerous measures to increase the

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farmers' incentives, a return to a more rational cropping pattern and the greater application of fertilizers and herbicides.

In industry, the increases in civilian industrial production through October indicate that there has been no significant change from recent lackluster performance. Investment this year, moreover, probably will be unsatisfactory. Data for the first six months--the latest available--show that state plan investments rose only two percent over the first half of 1965, the lowest increase since the war. For the same period, the figures for commissioned fixed assets and for the volume of construction respectively were the same and below performance in 1965.

As 1966 ends the USSR has slowed down the transfer of industrial enterprises to the new system of management and incentives, apparently to try to solve some of the thorny problems encountered. The movement is to regain momentum next year, however, with a number of branches in the light and food industries converting in January and several other sectors of industry following suit during 1967.

The basic problem of price reform is central to the success of the new system of industrial operation, and indeed to overcoming the relative inefficiency of the Soviet economy. Some progress has already been made,

but the first important step will not take place until the second half of 1967, when new wholesale prices for heavy industrial products are to go into effect.

A host of difficulties continue to plague those concerned with the pricing problem, among them the transfer of enterprises to the new system of management. Planning on both an annual and a five-year basis has also been affected. The latest instruction requires all appropriate economic agencies to recast their plans in terms of their new prices by May 1967.

The price question is an important factor in delaying the final approval of the 1966-70 plan, but the general underlying cause is the failure of the regime to settle definitively the pattern of resource allocation during this period. Industry, agriculture, defense, space, and the consumer--claimants for the various resources--all have persuasive cases and powerful defenders, but the economy is not large enough or growing fast enough to satisfy them all equally.

Next week's session of the Supreme Soviet, accordingly, will only approve the plan and the budget for next year, with final approval of the 1966-70 plan coming sometime late next spring, according to information ascribed to the chairman of the State Planning Committee.

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COSMOS 133 PROBABLY NEW SPACECRAFT FOR MANNED FLIGHT

The launching of the unmanned satellite Cosmos 133 [redacted] on 28 November probably was the first flight test of a new capsule to be used in the next Soviet manned space flight.

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[redacted]

Since the last Soviet manned flight in March 1965, spokesmen for the Soviet manned space program have indicated that work was under way on new spacecraft in the Vostok/Voskhod weight class as well as on heavier manned orbital stations.

The launch vehicle used in the Cosmos 133 operation probably was the standard SS-6 booster. [redacted]

Cosmos 133 probably is designed for rendezvous and docking, and is probably fitted for cosmonaut activity outside the spacecraft. Neither the original Vostok capsule nor its improved version, the Voskhod, were designed for rendezvous and docking. Additional unmanned flight testing of the Cosmos 133 type of spacecraft can be expected before the Soviets use it in a manned mission. The development of this capsule probably will contribute to advanced Soviet space programs such as manned circumlunar flight and space stations in earth orbit, both of which are likely Soviet space goals for the 1967-1969 period. [redacted]

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RECENT SOVIET-EGYPTIAN ECONOMIC DISCUSSIONS

Economic matters appear to have been a principal topic of Egyptian First Vice President Amir's recent talks in Moscow.

The talks apparently dealt with adjustments in Soviet economic aid deliveries to conform with changes in Egyptian economic plans, but the extent to which the Soviet aid program will be affected is not yet known. Egypt has been modifying its development plan over the past two years. An earlier review of the plan, undertaken by former prime minister Muhi al-Din, resulted in the cancellation or postponement of about \$150 million worth of Communist aid projects, about \$80 million of which were Soviet. Canceled projects involving Soviet aid included the construction of factories to produce agricultural machinery, roadbuilding machinery, electrical instruments, towers for transmission lines, and a wide-plate rolling mill, as well as a contract for the development of coal mines in the Sinai Peninsula.

A new project, however, was agreed to in February which provided for Soviet assistance to the Egyptian General Petroleum Company for exploration in the area between Suez and the Sudanese border. A Soviet technical team arrived in

Cairo in late October to begin work. In the recent discussions Moscow emphasized Egypt's considerable potential in the oil industry and indicated it would assist in expanding oil production, thus augmenting Egypt's export capabilities.

During Amir's visit Moscow probably repeated the recommendations for reforming the shaky Egyptian economy made by a nine-man Soviet economic planning delegation which visited Cairo in September. The projected visit to Washington of the Deputy Governor of the Egyptian Central Bank for discussions with the IMF suggests that Moscow also may have repeated its advice to Egypt to reach a compromise with the Fund, which is its only source for much-needed hard-currency loans.

According to an Egyptian Embassy official in Moscow, the USSR offered some relief by agreeing to meet some of Egypt's wheat needs next year. No firm commitment was made on the amount to be supplied, however, suggesting that Moscow remains reluctant to replace the 25X1 US as the major supplier of Egypt's annual 2.5-million-ton import requirement.

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SECRET**HUNGARIAN PARTY CONGRESS CONCENTRATES POLITICAL POWER**

At its recent congress, the Hungarian Communist Party ratified decisions of the party high command to concentrate authority and to assign First Secretary Kadar's most capable lieutenants to key problems. These innovations were introduced by Kadar to minimize resistance from conservative party elements to Kadar's relatively liberal reform programs, which were routinely endorsed at the congress.

Despite frequent references at the congress to greater party democracy, fewer officials now will be responsible for the direction of party policy. The politburo and secretariat were both reduced in size, as was the central committee, for which the roster of alternate members was abolished.

The new central committee will be a more influential body. The congress transferred to it the supervision of the administration, finances, and working plans of the Budapest and county party committees. The central auditing committee was abolished, and responsibility for the finances of the central committee was given to the central control committee. The central committee was also given the power to convene special national party conferences previously held by the membership-at-large.

Probably the most important innovation was the attachment to the central committee of three

"working communities." The group concerned with "party construction," that is, administration and planning, will be headed by Kadar's heir apparent, Bela Biszku.

HUNGARIAN PARTY HIERARCHY**OLD****NEW****POLITBURO**

Antal Apro	Antal Apro
Bela Biszku	Bela Biszku
Lajos Feher	Lajos Feher
Jeno Fock	Jeno Fock
Sandor Gaspar	Sandor Gaspar
Janos Kadar	Janos Kadar
Gyula Kallai	Gyula Kallai
Zoltan Komocsin	Zoltan Komocsin
Ferenc Munnich	
Dezso Nemes	Dezso Nemes
	Rezso Nyers
Miklos Somogyi	
Istvan Szirmai	Istvan Szirmai

Alternate Politburo Members

Miklos Ajtai	Miklos Ajtai
Janos Brutyo	
Lajos Cseterki	
Lajos Czinege	Lajos Czinege
Pal Ilku	Pal Ilku
	Karoly Nemeth
Rezso Nyers	

SECRETARIAT**First Secretary**

Janos Kadar

Bela Biszku	Bela Biszku
Lajos Cseterki	Lajos Cseterki
Zoltan Komocsin	Zoltan Komocsin
Mihaly Korom	
Rezso Nyers	Rezso Nyers
	Arpad Pullai

Istvan Szirmai
Istvan Szurdi

Blue indicates new member

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The "economics" community will be led by Rezso Nyers, one of the architects of Kadar's economic reform program, and the "cooperative policy" group dealing with agriculture, by Kadar's long-time confidant, Lajos Feher.

These personnel changes elevate younger and more effective adherents of Kadar's "middle course" policies. Nyers was promoted to full politburo membership, and Arpad Pullai, a young but experienced official, was

elevated to the secretariat, where he will continue in party and mass organizational administration.

No new foreign policy lines emerged at the congress, although the party's propaganda chief implicitly criticized Rumania for its current views regarding an historic dispute with Hungary, an unusual development at such a gathering. This suggests that Budapest may become more assertive on traditional national themes.

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Middle East - Africa

SECRET ARMS AGREEMENT STIRS UP GREECE-CYPRUS DISPUTE

The secret procurement of arms from Czechoslovakia to strengthen the Cypriot police force has sparked new tensions between President Makarios and the Greek Government.

Preliminary negotiations for the arms deal were begun last August. Most of the weapons and ammunition, mainly automatic weapons, mortars, and antitank grenade launchers, were delivered to the island in late November.

ment control, long an aim of the Cypriot president.

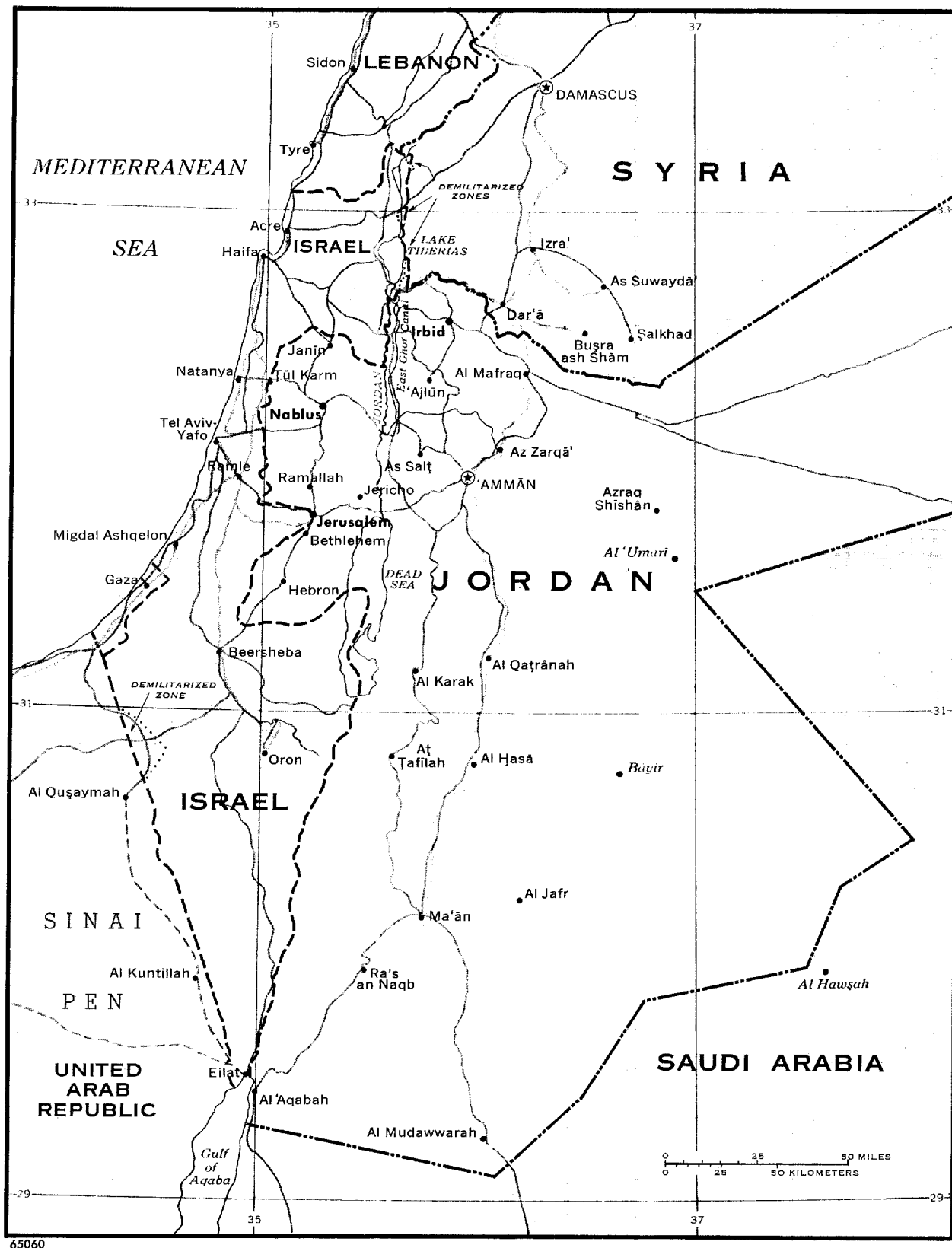
The Greek minister of defense informed the US ambassador in Athens that an agreement was reached whereby the arms would not be distributed and would be left in the custody of the Cyprus National Guard, which is under the command of a Greek officer. However, the Cypriot minister of interior and defense informed the US ambassador in Nicosia that the government of Cyprus had no intention of surrendering the weapons to the national guard.

Even though the Greeks may emerge with at least temporary control of the weapons, the arms deal has reactivated the dispute between the two governments over control of Cyprus' defense force. In addition, the issue is likely to complicate any discussion of the Cyprus dispute between the Greek foreign minister and his Turkish counterpart during NATO meetings in Paris next week.

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SECRET**THE SITUATION IN JORDAN**

Antiregime sentiment is still strong in Palestinian west Jordan, and sporadic demonstrations are continuing. Syria, by open support of a Jordanian rebellion against King Husayn and by infiltrating saboteurs across the border, is increasing its attempts to exploit the unrest.

Palestinian resentment was fanned again when Husayn initially approved and then banned a conference of Palestinian leaders in Jerusalem scheduled for 5 December. He apparently thought at first that the meeting would provide an orderly outlet for Palestinian grievances but canceled it upon learning that plans for a civil disobedience campaign were to be discussed. The decision precipitated a protest demonstration in Nablus, a focal point of recent antagonism toward Husayn.

The Cairo-based Palestinian Liberation Organization (PLO) is capitalizing on the situation. After visiting Damascus, PLO chairman Shuqayri said in Cairo on 5 December that he had "reached a joint struggle agreement" with Syria. His statement suggests that attempts by Syria, the Syrian-supported Fatah terrorists, and the PLO to subvert Jordan now will be better organized and coordinated. Jordanian authorities intercepted a group of saboteurs infiltrating from Syria near Irbid on 30 November.

Syrian agitation against Husayn included a public offer on 7 December of armed support for Jordanian insurgents. Syria's chief of state, Nur al-Din Atasi, said "our weapons are available to those national rebels who want them."

There was virtually no prospect that Jordan's dispute with the PLO, Damascus, and Cairo over whether to station foreign Arab troops in Jordan, including those of the PLO, would be resolved at the Arab Defense Council meeting in Cairo. The meeting convened on 7 December ostensibly to discuss Jordanian defense policy against Israel. The issue in reality is whether Husayn, by permitting the PLO and other foreign Arabs to "aid" Jordan, should acquiesce in further disruption of order in Palestinian west Jordan.

Soviet commentary on the situation has been restrained, and Moscow apparently would prefer to avoid a major crisis in Jordan which might precipitate direct US involvement. Last week the USSR signed a \$1.7-million contract with Amman for work on the Khalid Dam project--the first Soviet contract ever made with Jordan.

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SECRET**CONFLICT IN NIGERIA BETWEEN GOWON AND OJUKWU SHARPENS**

The rift between Supreme Commander Gowon and Eastern military governor Ojukwu widened last week as each made a major speech setting forth sharply divergent positions on the future of the Nigerian federation. Neither would compromise on the basic issue of central government authority, and prospects for an early agreement or even a meeting between the two leaders appear dimmer than ever.

Ojukwu reiterated the East's proposal to reduce interregional ties to the level of a confederation. He insisted upon stripping the central government of all but the most nominal power, leaving each region free to levy taxes, control its own army, and even secede. Ojukwu continued to oppose the creation of additional new states--an essential aspect of the federal government's plan to maintain Nigeria as a single unit.

Gowon flatly rejected Ojukwu's proposals. He instead announced plans to convene a broadly representative constituent assembly to which he would submit a draft constitution designed to create and preserve an "effective federation" of 8-14 states. Showing more firmness than previously, Gowon also appeared to commit his military regime to a wider and larger role in the effort to rebuild Nigeria. He said he would continue both the preparation of

the second national development plan and the campaign to eliminate corruption.

Eastern leaders reportedly reacted to Gowon's speech with shock and disappointment. Ojukwu told a group of oil representatives on 1 December that the North wanted to dominate the country, and the East did not intend to subordinate itself. He implied that the oil companies would be held partly responsible if the East were invaded by Northern troops.

Ojukwu's options are clearly narrowing but he appears unwilling to take any action--such as secession--at least until the Eastern provincial administration now being set up is well established. Ojukwu hopes that more effective local government will quell minority separatist sentiment in the East and enable him to preserve the region intact.

The regionalization of the federal army is progressing with the recruitment of westerners and midwesterners to replace eventually the northern troops in those regions. A recent clash between middle-belt and far northern soldiers in one of the battalions stationed in the North, however, shows how fragile the army is there. So far the tension has been confined to the army, but if continued it could spill over into the civilian community.

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SECRET**INCIDENT SPARKS ANTI-US SENTIMENT IN PANAMA**

Panamanian leftists and ultranationalists have joined sensationalist news media in an anti-US clamor over an incident at the US-leased Rio Hato training area.

The incident bears the marks of being contrived by ultranationalists. On 1 December a Panamanian commercial aircraft made an "emergency" landing at the Rio Hato Airfield some 70 miles southwest of Panama City. The pilot, who recently had made a similar landing at Rio Hato, refused to divulge his flight plans or passenger list as required by US military regulations and Panamanian law. He asserted that he was on Panamanian territory and therefore not responsible to US personnel. After a check with the National Guard and local civil air authorities the aircraft was allowed to proceed.

News media in Panama City, owned or controlled by the oligarchy, gave wide and emotional coverage to the incident and called on Foreign Minister Eleta to protest the "affront" to Panamanian sovereignty. Finance Minister Samudio's newspaper stated that the affair was part of a 60-year "cold war" between the US and Panama and charged that the Rio Hato training area was being converted into an extension of the Canal Zone.

The US Embassy and military officials issued clarifying statements but neither government deputies nor news media retracted inaccuracies. The only exception

was Arnulfo Arias' Panamenista Party mouthpiece Radio Aeropuerto, which broadcast a balanced account of the incident.

Several National Assembly deputies, including one from President Robles' Liberal Party, denounced the US from the assembly floor and the foreign relations committee chairman erroneously announced that Eleta had delivered an oral protest to the US ambassador.

On 6 December Eleta issued a note which, although not officially a "protest," asserted complete Panamanian sovereignty over the Rio Hato area and stated that when US forces there are faced with the necessity of having an authority intervene, they must summon the National Guard or Panamanian civil authorities.

The Rio Hato affair typifies the use of many minor incidents by politicians of the Panamanian oligarchy to divert popular resentment away from themselves and against the US. As campaigning for the 1968 elections approaches and pressures for a canal settlement increase, it will become increasingly difficult for politicians to take a rational position on US-Panama relations. The base rights and status of forces agreement has been one of the most difficult aspects of the canal treaty settlement the US is trying to negotiate with Panama and this latest incident is likely to add further complications.

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SECRET**ARGENTINE GOVERNMENT MEETS OPPOSITION ON RAILROAD REFORM**

President Ongania's reported softening of the railroad reform decree before he signed it on 2 December may reflect pressure of military leaders on the government to be more flexible in dealing with organized labor.

Ongania has insisted on going ahead with reorganizing the railroads even though the government has not settled the situation in the nation's ports. Dock workers have been on strike since the end of October. Labor Secretary Rubens San Sebastian and leaders of the railroad unions and the General Confederation of Labor (CGT) have been meeting frequently in an effort to come to some agreement over the new work rules for railroad workers and the possible massive dismissals of surplus railroad employees.

Union leaders have condemned the government's plan as excessively harsh and antilabor.

Both government and labor seem anxious to avoid a major confrontation over the issue, but some kind of railroad strike seems inevitable. Pressure from member unions has already forced the CGT to call a 24-hour general strike for 14 December. This strike is specifically to protest the government's measures against the dock workers' union, but will also be an expression of opposition to the government's overall policy toward labor.

Ongania has named General Julio Alsogaray, an ambitious and influential officer, to replace General Pistarini as commander in chief of the army. With Alsogaray as its spokesman, the military are likely to support moderate government policies, especially in labor reform. Pistarini requested retirement after a disagreement with Ongania over the forced retirement of an army corps commander.

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SECRET**INTRIGUES OF DOMINICAN PRESIDENT'S MILITARY AIDE**

The activities of Dominican President Joaquin Balaguer's military aide, Colonel Neit Nivar Seijas, are threatening to undermine Balaguer's relations with important elements in the military. Nivar's intrigues could also build up his personal power base and might draw either the President or Nivar's adversaries into a rash move that could in turn provoke renewed political turmoil.

Nivar's recent activities appear to be the culmination of a long campaign to discredit his enemies and to build up his own personal power. He seems to be using his position as Balaguer's key military and intelligence adviser to pass to the President reports

of antigovernment plotting by a civilian-military group headed by Antonio Imbert and former General Wessin. Balaguer, however, appeared to play down Nivar's reports in a 5 December radiobroadcast. He stated that allegations of anti-government plotting were only rumors and attributed them to the efforts of "well-known Communists" to create an atmosphere of uncertainty and unrest.

Nivar has portrayed his activities as being only in the interest of Balaguer, but they appear to serve his own ambitions. Nivar has an inflated ego and he has given one US Embassy officer the impression that he believes that with sufficient power he could correct all that plagues the country. Nivar recently sought to improve his relations with the embassy and may be seeking US support for his ambitions. In addition, Nivar has cultivated key military officers and has sought to advance his own military followers to key posts.

Balaguer appears to appreciate Nivar's past aid and to place considerable faith in his loyalty. Although the President is probably aware of the animosity his aide has aroused in the regular military, he has not taken significant steps to curb him.

If the President replaces security force leaders with officers linked with Nivar it would greatly increase Nivar's power and to some extent free him from his present dependence on Balaguer. In any event, Nivar's continued influence on Balaguer is sure to lead to decreased confidence in Balaguer by both moderate and right-wing military officers.

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SECRET**LATIN AMERICAN GOVERNMENTS REACTING AGAINST UNIVERSITY STUDENTS**

Some of the most democratic Latin American governments have taken firm steps, in some ways comparable to those of the military regimes in Argentina and Brazil, to deal with troublesome student demonstrations. One result has been a setback to the concept of university autonomy, under which the universities have provided a haven for extremist student agitators.

In October, President Diaz Ordaz of Mexico ordered army occupation of Michoacan University after the identification of agitators trained in Communist bloc countries pointed up Communist involvement in student disturbances. Over the past year, Mexico has experienced a series of student riots at various universities, incited or exploited by Communists.

Faced with the threat of a student strike in September, Colombia's President Lleras decreed penalties for students missing classes because of political activity. On 24 October, students organized a minor riot during Lleras' visit to the National University of Bogota. To quell the disturbances, army troops violated university autonomy and arrested about 50 of the troublemakers. Lleras quickly issued a series of antisubversive decrees, including a ban on travel to Cuba. He affirmed the right of government authorities to enter the university grounds.

In late November, Guatemalan President Mendez privately warned leaders of the leftist-dominated student association that he would crack down on students involved in subversive actions. The government

subsequently arrested several persons involved in illegal activity after evidence of Communist involvement was discovered in the home of a student leader. Mendez, while professing that he had no intention of interfering with university autonomy, said he would not allow rebel student groups to operate with impunity.

Extremist students in Peru were arrested in November following violence at Cajamarca University. University authorities closed Lima's prestigious Agrarian University when irresponsible elements sparked a strike demanding student control over faculty appointments.

A student strike in October at Chile's University of Concepcion precipitated an ultimatum by the rector closing the university and suspending student privileges. Student disturbances in Panama have led to a government crack down on subversive elements and discussion of revoking the university's autonomy.

Recent events affecting university immunity have their roots for the most part in the domestic political problems of the countries concerned. The growing propensity to confront the students with force, however, could be a reaction to Cuba's efforts to dominate the student movement in the southern hemisphere. Although there is no evidence to link the recently created Latin American Students' Continental Organization (OCLAE) directly with increased student agitation and violence, the existence of the Havana-based OCLAE serves as a psychological stimulus for heightened extremist political activity.

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SECRET**ECUADOREAN MILITARY REACTION TO CONSTITUENT ASSEMBLY DECISIONS**

A resolution of the constituent assembly stripping members of the former military junta of their rights as citizens for three years did not draw any violent reaction from the military. Promotions, pay, and other issues of vital interest to the military, however, may give the military additional cause for unrest when the assembly discusses them.

The constituent assembly, which has been acting in a confused and irresponsible manner since its opening session on 16 November, may take further action which will harass the military into defending itself. The US Embassy believes a "whole galaxy" of issues could threaten political stability and Ecuadorean relations with the US. The embassy cites as examples attacks on the junta for abandoning Ecuador's claim of a 200-mile limit for territorial waters, the assembly's review of the government's 1967 budget, and planned

investigations of "foreign" interests in Ecuador.

The prestige of the military has reached a low point because of the failure of the former military junta to bring notable gains to Ecuador during its 20 months in power, and because of the subsequent uncereceremonious dumping of the junta. The consequent low morale militates against the military taking strong action as an institution, but continued goading by the assembly could lead the military to strike back in frustration.

The military may also seek to turn the flare-up of the perennial border problem with Peru to its advantage by picturing Peru's alleged border violations as a serious threat and pointing out the importance of the army as defender of the national territory.

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